HB 18-1202

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

REVISED FISCAL NOTE
(replaces fiscal note dated April 4, 2018)

Drafting Number: LLS 18-0753
Prime Sponsors: Rep. Garnett
Sen. Gardner

Date: May 1, 2018
Bill Status: Senate Finance
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Bill Topic: INCOME TAX CREDIT LEAVE OF ABSENCE ORGAN DONATION

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☐ State Transfer
☒ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

This bill creates an income tax credit for employers who allow paid leave to employees who donate an organ and/or who hire replacement help during an employee's leave of absence for organ donation. It causes an ongoing revenue decrease and requires a one-time implementation expenditure in FY 2020-21.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This revised fiscal note reflects the reengrossed bill.

Table 1
State Fiscal Impacts Under HB 18-1202

		FY 2018-19	FY 2019-20	FY 2020-21
Revenue	General Fund	-	($55,000)	($114,000)
Expenditures	General Fund	-	-	$6,290
Transfers		-	-	-
TABOR Refund		-	($55,000)	not estimated

Summary of Legislation

Beginning in tax year 2020, this bill creates an income tax credit for employers whose employees donate an organ and grant their employee a paid leave of absence. The tax credit is equal to 35 percent of an employee's paid leave, not to exceed 10 days, and/or the amount paid to a temporary employee during a donor employee's paid leave. Employers may not claim the credit for employees with an annual salary greater than or equal to $80,000. The credit is nonrefundable, meaning that it is limited to a taxpayer's income tax liability. Any remaining credit not used in one tax year may be carried forward for up to five years.

Taxpayers claiming the credit must provide documentation verifying the employee's organ donation upon the request of the Department of Revenue (DOR), and are ineligible to claim the credit if such documentation cannot be provided.

State Revenue

This bill decreases state General Fund revenue by $55,000 in FY 2019-20 and $114,000 in FY 2020-21 and subsequent years. The reduction for FY 2019-20 represents a half-year impact on an accrual accounting basis.

Assumptions. Data from the Organ Procurement and Transplantation Network in the U.S. Department of Health and Human Services indicate that 160 living Colorado residents donated organs during 2017, including 151 kidney donors and 9 liver donors. This population is assumed to grow by between 4 percent and 5 percent annually based on historical rates of growth in the population of living organ donors. Donor populations were segmented by age. In each age group, the donor population is assumed to have a similar employment rate and average wage to the state population as a whole. Employment rates and mean wages were grown by the March 2018 Legislative Council Staff forecast. For 2020, there are assumed to be 183 living donors, of whom 135 will be employed, earning the state mean wage of $28.92 per hour. Assuming that all of these workers are allowed 80 hours of leave, the value of their paid leave will be about $312,000, of which about $109,000 will be allowed as a credit to their employers.

To the extent that employers do not allow paid leave or hire temporary employees, and that donors are paid annual salaries greater than or equal to $80,000, the revenue reduction will be lower than estimated.

To the extent that the bill motivates more paid leave and/or additional organ donations, the revenue reduction will be greater than estimated. Additionally, this fiscal note assumes that employers will claim the credit only because they offer paid leave or because they hire temporary workers, not both. If employers claim the credit for both reasons, the revenue reduction will be greater than estimated.

The bill is assumed not to allow a tax credit for employers whose employees donate bone marrow. If bone marrow donations qualify for the credit, the revenue reduction will be greater than estimated.

TABOR Refund

This bill reduces state income tax revenue, which will reduce the amount of money required to be refunded under TABOR by $55,000 in FY 2019-20. Since the bill reduces revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money for the General Fund budget in the future during years when the state does not collect revenue above the TABOR limit.

State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

State Expenditures

The bill increases General Fund expenditures by $6,290 in FY 2020-21 only. These one-time implementation costs will occur in the DOR.

Computer programming. This bill requires changes to the department's GenTax software system. Changes are programmed by a contractor at a rate of $250 per hour. The changes in this bill are expected to require expenditures of $1,250, representing 5 hours of programming. All GenTax programming changes are tested by department staff. Testing for this bill will require expenditures for contract personnel totaling $3,840, representing 160 hours of testing at a rate of $24 per hour.

Form change. This bill requires a change to one tax form with an expected cost of $1,200. Form changes are administered by the Department of Personnel and Administration using reappropriated DOR funds.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Information Technology Labor Revenue